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December 30, 2011

TO: Supervisor Zev Yaroslavsky, Chairman  
Supervisor Gloria Molina  
Supervisor Mark Ridley-Thomas  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

FROM:

Wendy L. Watanabe  
Auditor-Controller

*Wendy L. Watanabe  
by  
J. Schneiderman*

SUBJECT: **ALCOTT CENTER FOR MENTAL HEALTH SERVICES – A  
DEPARTMENT OF MENTAL HEALTH SERVICE CONTRACT  
PROVIDER – CONTRACT COMPLIANCE REVIEW – FISCAL YEARS  
2009-10 AND 2010-11**

We completed a contract compliance review of Alcott Center for Mental Health Services (Alcott or Agency), a Department of Mental Health (DMH) service provider. Our review covered a sample of transactions from Fiscal Years (FY) 2009-10 and 2010-11. DMH contracts with Alcott to provide mental health services to Program clients, including interviewing clients, assessing their mental health needs, and implementing treatment plans. The purpose of our review was to determine whether Alcott complied with its contract terms, and appropriately accounted for and spent DMH Program funds providing the services outlined in their County contract.

DMH paid Alcott approximately \$1.4 million on a cost-reimbursement basis for FY 2010-11. The Agency's headquarters is located in the Second Supervisorial District.

**Results of Review**

Alcott maintained adequate internal controls over its business operations. The Agency also allocated expenditures appropriately, and maintained adequate documentation to support expenditures charged to the DMH Program. In addition, Alcott maintained documentation to support the billed services, and the staff assigned to the DMH Program had the required qualifications. We have no findings or recommendations for the Agency.

**Review of Report**

We discussed our report with Alcott and DMH. Alcott is not required to submit a response to this report, because there are no findings or recommendations.

We thank Alcott management for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

WLW:JLS:DC:EB:sk

Attachment

c: William T Fujioka, Chief Executive Officer  
Dr. Marvin J. Southard, Director, Department of Mental Health  
Lee Milman, President, Board of Directors, Alcott  
Penelope Mehra, Executive Director, Alcott  
Public Information Office  
Audit Committee

**ALCOTT CENTER FOR MENTAL HEALTH SERVICES  
DEPARTMENT OF MENTAL HEALTH  
FISCAL YEARS 2009-10 AND 2010-11**

**BILLED SERVICES**

**Objective**

Determine whether Alcott Center for Mental Health Services (Alcott or Agency) provided the services billed to the Department of Mental Health (DMH) in accordance with their DMH contract.

**Verification**

We selected 40 billings, totaling 2,850 minutes, from 52,808 service minutes of approved Medi-Cal billings for January and February 2011, which were the most current billings available at the time of our review (August 2011). We reviewed the Assessments, Client Care Plans, and Progress Notes in the clients' charts for the selected billings. The 2,850 minutes represent services provided to 15 clients.

**Results**

Alcott maintained documentation to support the billed services, and completed the Assessments, Client Care Plans, and Progress Notes as required by the DMH contract.

**Recommendation**

**None.**

**STAFFING QUALIFICATIONS**

**Objective**

Determine whether Alcott's treatment staff had the required qualifications to provide the services.

**Verification**

We reviewed the California Board of Behavioral Sciences' website and/or the personnel files for 14 of the 16 Alcott's treatment staff, who provided services to DMH clients during January and February 2011.

**Results**

Each employee in our sample had the qualifications required to provide the services billed.

**Recommendation**

None.

**CASH/REVENUE****Objective**

Determine whether the Agency deposited cash receipts timely, and recorded revenue properly in the Agency's records.

**Verification**

We interviewed Alcott management, and reviewed the Agency's financial records. We also reviewed their June 2011 bank reconciliations.

**Results**

Alcott deposited cash timely, and recorded revenue properly.

**Recommendation**

None.

**COST ALLOCATION PLAN****Objective**

Determine whether the Agency prepared its Cost Allocation Plan in compliance with the DMH contract, and used the Plan to allocate shared expenditures appropriately.

**Verification**

We reviewed the Agency's Cost Allocation Plan, and reviewed 11 shared expenditures, totaling \$50,092, incurred between October 2009 and June 2011, to ensure that the expenditures were allocated appropriately among the Agency's programs.

**Results**

Alcott prepared its Cost Allocation Plan in compliance with the DMH contract, and allocated their shared expenditures appropriately.

**Recommendation**

None.

**EXPENDITURES****Objective**

Determine whether the expenditures billed to the DMH Program were allowable under the contract, documented properly, and billed accurately.

**Verification**

We interviewed Agency personnel, and reviewed the accounting records, and documentation for 12 DMH non-payroll expenditures, totaling \$36,691, incurred between December 2009 and June 2011.

**Results**

Alcott's expenditures were allowable, documented properly, and billed accurately as required.

**Recommendation**

None.

**FIXED ASSETS/EQUIPMENT****Objective**

Determine whether the depreciation expenses charged to the DMH Program were allowable under the contract, documented properly, and billed accurately.

**Verification**

We interviewed Agency personnel, and reviewed the Agency's fixed assets and equipment. In addition, we reviewed \$3,423 in depreciation expenses charged to the DMH Program in June 2011.

**Results**

The depreciation expenses charged to the DMH Program were allowable, documented properly, and billed accurately.

**Recommendation**

**None.**

**PAYROLL AND PERSONNEL**

**Objective**

Determine whether payroll expenditures were charged to the DMH Program appropriately. In addition, determine whether the Agency maintained personnel files as required.

**Verification**

We reviewed DMH Program-related payroll expenditures, totaling \$36,586, for 16 employees for the period ending June 30, 2011, and reviewed personnel files for all 16 employees.

**Results**

Alcott's payroll expenditures were charged to the DMH Program appropriately. In addition, the Agency maintained the personnel files as required.

**Recommendation**

**None.**

**COST REPORT**

**Objective**

Determine whether Alcott's Fiscal Year (FY) 2009-10 Cost Report reconciled to the Agency's accounting records.

**Verification**

We traced the Agency's FY 2009-10 Cost Report to the Agency's accounting records.

**Results**

Alcott's Cost Report reconciled to the Agency's accounting records.

**Recommendation**

**None.**